



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC TO RE-EXAMINE ENERGY UTILITIES/HOLDING COMPANY OPERATIONS

SAN FRANCISCO, Oct. 27, 2005 – The California Public Utilities Commission (PUC) today said it will re-examine the relationships of the major energy utilities with their parent holding companies and affiliates.

The current parent holding companies were formed more than 10 years ago, and these companies have made significant investments in energy infrastructure, including distribution and transmission lines, natural gas pipelines and terminals, power plants, trading companies, marketing companies, and other energy service companies both overseas and within the U.S. The Commission will review current energy infrastructure investments of the parent holding companies and the capital budgets of the utilities and their parent holding companies to better understand the amount of capital that is expected to be allocated to either the utilities or an affiliate for investment in energy infrastructure that will meet any part of California's need for reliable supplies of energy.

The Commission's goals are to: (1) ensure that the utilities meet their public service obligations at the lowest reasonable cost and (2) to ensure that the utilities do not favor or otherwise engage in preferential treatment of their affiliates.

This examination is issued in part in response to the recent enactment by Congress of the Energy Policy Act of 2005, which, among other things, repealed the Public Utility Holding Company Act of 1935 and ordered the Federal Energy Regulatory Commission (FERC) to review its rules regarding dispositions, consolidations, or acquisitions made by FERC-jurisdictional entities under the Federal Power Act. As a result, the parent holding companies of California's energy utilities may try to expand the unregulated activities of the utilities' affiliates, may try to merge with or acquire other companies, or may be acquired by other companies. It is therefore necessary for the Commission to review its existing regulations and to consider whether additional, new rules or regulations are needed.

The Commission must also ensure that California's energy utilities retain sufficient capital and the ability to access such capital in order to meet their customers' needs. Additional rules or regulations may be necessary to address the potential conflicts between ratepayer interests and the interests of the parent holding companies and affiliates in order to ensure that these conflicts do not undermine the utilities' ability to meet their public service obligations at the lowest possible cost.

As an initial step, the Commission ordered the state's investor-owned energy utilities and their parent companies to submit current information concerning their capital budgets for the next five years (2006-2010). The parent holding companies are also required to provide financial statements for any current investments in energy infrastructure serving California as well as estimates of the participation, if any, of their affiliates in the development, financing, construction, operation, management, or ownership of energy infrastructure that will meet any part of California's expected need for reliable supplies of energy.

After reviewing this information the Commission may propose additional rules or regulations regarding, but not necessarily limited to, reporting requirements for the allocation of capital between utilities and their non-regulated affiliates by the parent holding companies, and changes to the Commission's Affiliate Transaction Rules. The Commission also may clarify requirements as to its access to documents of the parent holding company or affiliates.

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